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# AGENDA REPORT

TO: DEANNA J. SANTANA  
CITY ADMINISTRATOR

FROM: Fred Blackwell

SUBJECT: Progress of Oakland Army Base  
Development Project

DATE: May 3, 2013

City Administrator  
Approval

Date

5/16/13

COUNCIL DISTRICT: 3

## RECOMMENDATION

Staff recommends that the City Council accept:

An Informational Report on the Progress of the Oakland Army Base Development Project

## OUTCOME

The successful completion of the Gateway Development Project will add to the vibrancy of the City and Port's dynamic industrial working waterfront and related associated maritime services. In accordance with the Lease Disposition and Development Agreement (LDDA) approved by City Council by and between the City and Prologis CCIG Oakland Global LLC (the Developer), the Gateway Development Area Project consists of a mixed-use industrial (warehousing and logistics), commercial, maritime, rail and open space project on approximately 130 acres in the Central, East, West and North Gateway areas of the former Oakland Army Base (the Site).

Pursuant to the LDDA, the City of Oakland is responsible for the environmental remediation of the Site, the deconstruction and demolition of above and below grade structures, and the construction of new public infrastructure to support privately funded vertical development. Privately funded vertical development includes new state of the art, purpose built, thru-put, logistics, deconsolidation warehousing, and bulk commodities handling operations which will contribute significantly to both the regional and local economy through the creation of new employment opportunities and generation of significant community benefits to both the City and Port of Oakland. These private improvements will be developed in the Central, East and West Gateway areas.

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Other major outcomes include the creation of two new development opportunity sites within the surrounding West Oakland neighborhood as a result of the relocation of two recycling operations into new facilities to be constructed within the North Gateway area of the former Base. In addition, ancillary maritime services for new and improved truck parking and service operations will also be developed within the Central and North Gateway areas on the former Base to help improve the operating efficiency of on-site trucking operations and reduce truck trips through the West Oakland community.

## **BACKGROUND/LEGISLATIVE HISTORY**

The Oakland Army Base closed in 1999 and through an extensive community engagement process, a Base Reuse Plan was adopted in 2002. In order to implement the Base Reuse Plan, the Oakland Redevelopment Agency (Agency) issued a competitive Request for Qualifications in 2008 and a subsequent Request for Proposal in 2009. In January 2010 after a two-year competitive process, the Agency entered into an Exclusive Negotiating Agreement (ENA) with AMB/CCG (reorganized as Prologis/CCIG) (Developer) for the master development of approximately 130 acres of the Gateway Development Area (GDA) of the Oakland Army Base (OAB). Four months earlier, the Developer and the Port of Oakland (Port) had entered into an ENA for the master development of the Port Development Area of the OAB. With a common master developer in sight for the City and Port properties, staff and the Port saw an opportunity to work effectively together to create a new logistics and transportation hub for Oakland. At the urging of then Mayor Dellums, and in the belief that developing the OAB as a unified 303-acre industrial district with complementary uses would support a more competitive port and better job generation, the City and the Port adopted a One Vision, One Team, One Project approach toward the OAB.

Although the Port and Developer eventually elected not to pursue a development together, the One Project approach was still the most practical and efficient way to handle the planning and design of infrastructure at the OAB. Therefore the City, Port, and Developer continued to work together on an infrastructure master plan for the OAB and on the environmental analysis required under the California Environmental Quality Act (CEQA). In June 2012, the City Council adopted the master plan and CEQA findings through its approval of a Lease Disposition and Development Agreement (LDDA) with the Developer. The development of the OAB as laid out in the master plan will occur in phases with the City providing the backbone infrastructure of new utilities and roadway improvements in the first phase, followed by significant private investment as well as rail access and yard improvements by the Port in the second phase.

In July 2011, the City and Port agreed to a One Project approach for the public infrastructure and entered into a Cost Sharing Agreement, subsequently amended and restated, to enable the development of necessary public improvements. The Amended and Restated Cost Sharing Agreement (ARCSA) committed the City to invest \$54.5 million in eligible expenses under the

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Trade Corridor Improvement Fund (TCIF) program and to be responsible for the master planning process, site preparation and the development of backbone infrastructure. As a result the Port and City agreed to amend the TCIF Baseline Agreement and allocation of the \$242.1 million TCIF award. The City Council approved the ARCSA at the same time it approved the LDDA in June 2012. Also in June 2012, the City Council approved several other agreements to support the implementation of the LDDA and infrastructure development. They include the following:

- Environmental Review Funding and Indemnity Agreement
- East Bay Municipal Utility District Memorandum of Agreement
- Billboard Franchise and Lease Agreement
- Property Management Agreement
- Cooperation Agreement

Embedded in the LDDA are jobs policies which set forth requirements regarding hiring and employment related to the construction of both public and private improvements at the OAB and for jobs related to the operation of the completed development. The Cooperation Agreement commits the City to ensure these requirements are met.

## ANALYSIS

This informational report was agendized by Council Member Lynette Gibson McElhaney, District 3, who requested a brief summary of the following critical components of the Project Economics and Financing:

### Economics

Until recently, the interim leasing program generated approximately \$2.5 million in annual gross revenue. Almost \$1 million of the \$2.5 million annual gross revenue went into paying water bills and utility systems operation, maintenance and repair. Closing the Interim Leasing Program will result in a loss to the City of approximately \$500,000 in net annual revenue, although the amount of the net revenue would certainly decrease over time as the water pipes, which are in extremely poor condition, deteriorate further and leak more water into the ground. The City also received approximately \$9,000 in property tax revenue from the City's OAB tenants. Consistent with the City Council June 2012 action, CCIG, in its role as the property manager for the GDA under the Property Management Agreement, is in the process of closing the Interim Leasing Program in order to begin demolition and deconstruction in July 2013.

Successful implementation of the Project as set forth in the LDDA will result in the following community and annual return revenue benefits:

- Developer contributions West Oakland Community Fund

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- Long term lease revenues
- Business license tax revenues
- Sales tax revenues
- Parking tax revenues
- Participation in ancillary maritime services truck fuel sales
- Participation in gross tariff revenues from bulk handling operations
- Participation in billboard revenues to help fund the Job Center

Keyser Marston Associates (KMA) evaluated the annual property tax revenue and economic impacts to be generated by the Project as set forth in the LDDA, effective December 4, 2013. Table 1 below summarizes KMA's findings of the estimated economic return benefits resulting from implementation of the Project as set forth in the LDDA.

**Table 1 - Summary of Estimated Community and Annual Return Benefits**

1. Developers Total Contribution to the West Oakland Community Fund	\$2,000,000
2. Property Tax Revenues to Taxing Agencies	\$1,700,000
3. Property Tax Revenue to City of Oakland	\$471,000
4. Participation in gross tariff revenue from bulk handling operations	\$550,000
5. Participation in ancillary maritime services truck fuel sales	\$100,000
6. Cash flow revenue from billboard participation	\$600,000
7. Parking Tax Revenue to City of Oakland	\$100,000
8. Direct Payroll from on-site jobs in Oakland	\$100,000,000
9. Indirect and Induced Payroll from on-site jobs in Oakland	\$128,000,000
10. Output of Annual Gross Receipts	\$473,000,000
11. Output of Indirect and Induced Gross Receipts	\$436,000,000
12. Direct Output of Gross Receipts from Gross Construction	\$456,000,000
13. Indirect and Induced Output of Gross Receipts from Gross Construction	\$435,000,000

Funding Sources and Uses

Table 2 below reflects the proposed sources and uses of funding for both the City and Port project segments. It should be noted that the "City Private Match" of \$171.9 million, provided by private investment, represents 71% of the required TCIF grant match requirement. The California Transportation Commission (CTC) has awarded \$242.1 million in State TCIF grant funding to both City and Port projects. The City has been designated a Project Sponsor/Lead Agency in recognition of (1) the City's actions that will result in the development of the City's portion of the OAB, (2) the City's commitment of \$54.5 million as required match to the TCIF funds for both the City and Port projects, and (3) the City's public private partnership which leverages significant private investment. Table 3 below summarizes the sources of the City match for the TCIF Grant.

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Table 2 – Project Segment Sources and Uses (\$ in millions)

Project Segments	TIGER Grant	Port Match	City Match	Private Match	Total TCIF Grant	Total
1. Remediation		\$ 5.7	\$ 5.7			\$ 11.4
2. Rail Access Imps & Manifest Yard		\$ 5.0	\$ 3.8		\$ 65.8	\$ 74.6
3. City Site & Backbone Infrastructure			\$ 45.0	\$ 25.9	\$ 176.3	\$ 247.2
4. Recycling Facilities				\$ 46.6		\$ 46.6
5. Logistics				\$ 99.4		\$ 99.4
6. Unit Train Support Yard	\$ 15.0	\$ 5.0				\$ 20.0
<b>Totals</b>	<b>\$ 15.0</b>	<b>\$ 15.7</b>	<b>\$ 54.5</b>	<b>\$ 171.9</b>	<b>\$ 242.1</b>	<b>\$ 499.2</b>
% of Total	3.0%	3.2%	10.9%	34.4%	48.5%	100%
% of TCIF Grant Match		6.5%	22.5%	71%	100%	

Table 3 – City Match Funding Sources (\$ in millions)

Source of Matching Funds	Amount
1. Planning Grant	\$1.6
2. Tidelands Trust Burma Road Fund	\$4.1
3. Joint Environmental Remediation Fund	\$5.7
4. Leasing Program and Fund Balance	\$9.0
5. Joint Infrastructure Development Fund	\$16.1
6. Land Sale Proceeds	\$18.0
<b>Total</b>	<b>\$54.5</b>

Environmental Review / Sustainability

In 2002 the Environmental Impact Report (EIR) for the Oakland Army Base Area Redevelopment Plan was certified. In 2012 the environmental analysis was updated through an Initial Study/Addendum (IS/Addendum). The City Council accepted the findings of the IS/Addendum when it approved the LDDA with the Developer and an amendment of the land use strategy in the Army Base Reuse Plan to reflect the current project master plan. The IS/Addendum demonstrated that none of the circumstances that require a supplemental or subsequent EIR pursuant to CEQA Guidelines Section 15162 and 15163 are present in the Army Base Project, specifically:

- There are no substantial changes proposed in the project which would result in new significant environmental effects or a substantial increase in the severity of previously identified significant effects;

- There are no substantial changes with respect to project circumstances which would result in new significant environmental effects or a substantial increase in the severity of previously identified significant effects; and
- There is no new information of substantial importance which would result in new significant environmental effects, a substantial increase in the severity of previously identified significant effects, previously infeasible mitigation measures or alternatives now found to be feasible, or new mitigation measures or alternatives which are considerably different from previous ones that would substantially reduce environmental effects.

Since none of the circumstances described above are present, no further environmental review is required, and in fact, under CEQA the City is precluded from preparing a supplemental or subsequent EIR.

The 2002 EIR identified significant and unavoidable environmental impacts and imposed mitigation measures. Since publication of the 2002 EIR, the City of Oakland has adopted Standard Conditions of Approval (SCA) that are applicable to all development projects within the City's jurisdiction regardless of a project's environmental determination. In addition to mitigation measures, the SCA are requirements of the Project and serve to avoid or substantially reduce potentially significant impacts. Steps to achieve compliance with many of the SCA and mitigation measures have already been initiated. New development is subject to the City's Green Book requirements. New construction of the project will be developed to LEED Standards.

#### Jobs Policies

In July 2012, the Oakland City Council approved a set of community benefit policies to ensure that there would be employment opportunities for Oakland residents during the construction and operations phases of the Project. The Community Jobs Policies include:

- A 50% local hire requirement for construction and operations jobs. For operations jobs, a preference will be given first to West Oakland residents and secondly, to Enterprise Zone residents.
- For construction work, 20% of all construction hours will be worked by Apprentices. All new apprentices will be Oakland residents. One new apprentice is required for every 20,000 hours of construction work.
- For the operations jobs, 25% of permanent operations jobs will be reserved for disadvantaged workers, including but not limited to re-entry clients, TANF recipients, dislocated workers, long-term unemployed, unemployed veterans and the disabled.

The City also entered into a Cooperation Agreement with community stakeholder organizations and labor, which states that the City will take the lead in the development and implementation of

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a West Oakland Jobs Center to support contractors and employers in meeting the project's 50% local hiring goals.

### **PUBLIC OUTREACH/INTEREST**

This informational update did not require any additional public outreach other than the required posting on the City's website. It should be noted, however, that between December 2008 and mid-February 2013, the Developer engaged in at least 144 public meetings, hearings and public outreach events with respect to the Project. Since mid-February 2013 staff and the Developer have participated in additional public meetings that include sessions with the Planning Commission, the California Transportation Commission, the West Oakland Community Advisory Group, and upcoming follow-up meetings with the Bay Area Air Quality Management District, and the Bay Conservation and Development Commission.

### **COORDINATION**

This informational report has been coordinated with City staff, including the Budget Office and the City Attorney's Office, and with the Developer and staff from the Port of Oakland and the California Transportation Commission.

### **COST SUMMARY/IMPLICATIONS**

The Port has already secured its allocation of the TCIF grant in the amount of \$65.8 million and is in the process of completing the grant agreement by and between the Port and Caltrans.

On May 7, 2013, the Oakland Army Base development project reached a major milestone when the CTC voted 8-0 to allocate \$176.3 million in TCIF State funds for the project. Along with approximately \$65.8 million awarded to the Port of Oakland late last year, the combined award of \$242.1 million is the CTC's largest funding allocation in Northern California.

Once the grant agreement by and between the City and State has been executed, mobilization for deconstruction of the warehouses can commence. Once deconstruction is completed, extensive soils preparation sequencing will begin which will be followed by the construction of new infrastructure improvements.

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**FISCAL/POLICY ALIGNMENT**

This is an informational report and is aligned with policies set forth in the LDDA and other implementing agreements that have been approved by the City Council on behalf of the Project.

**SUSTAINABLE OPPORTUNITIES**

*Economic:* This informational update does not provide any additional economic benefits or opportunities.

*Environmental:* This informational update does not provide any additional environmental benefits.

*Social Equity:* This informational update does not provide any additional social equity benefits.

For questions regarding this report, please contact Doug Cole, Oakland Army Base Project Manager, at (510) 238-7661.

Respectfully submitted,



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